

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric Company for)
Adoption of Electric Revenue Requirements and Rates)
Associated with its 2017 Energy Resource Recovery)
Account (ERRA) and Generation Non-Bypassable)
Charges Forecast and Greenhouse Gas Forecast)
Revenue and Reconciliation (U 39 E).)

Application 16-06-003
(Filed June 1, 2016)

**COMMENTS OF MARIN CLEAN ENERGY
SONOMA CLEAN POWER
AND CITY AND COUNTY OF SAN FRANCISCO
ON THE NOVEMBER UPDATE**

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November 4, 2016

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**COMMENTS OF MARIN CLEAN ENERGY
SONOMA CLEAN POWER
AND CITY AND COUNTY OF SAN FRANCISCO
ON THE NOVEMBER UPDATE**

In accordance with the *Scoping Memo And Ruling Of Assigned Commissioner*, dated August 19, 2016 (“Scoping Memo”), as modified by the *Email Ruling Amending Procedural Schedule*, dated October 24, 2016 (“ALJ Ruling”), and pursuant to the Rules of Practice and Procedure of the Public Utilities Commission of the State of California (“Commission”), the City and County of San Francisco, Marin Clean Energy and Sonoma Clean Power Authority (collectively, “CCA Parties”) hereby submit comments on certain information related to Pacific Gas and Electric Company’s (“PG&E”) November Update.

I. SUMMARY

Pursuant to the ALJ Ruling, PG&E distributed its November Update on November 2, 2016, and parties are required to provide comments two days later, on November 4, 2016. While the CCA Parties generally understand the Commission’s desire for speedy consideration of the issues presented, the compressed schedule gives little time for parties to review and analyze the updated testimony, resulting in limited comments. As such, the Commission should not view these comments as affirming the information contained in the November Update. Two days is

simply an insufficient amount of time to review a complex filing.¹ The Commission should provide further direction to the Power Charge Indifference Adjustment (“PCIA”) working group, which was formed pursuant to Decision (“D.”) 16-09-044, to consider ways for providing further time and occasion to review updated information, so that parties have a more meaningful opportunity to assess and comment on this information.

PG&E’s November Update is particularly noteworthy as it continues the trend of an ever-increasing PCIA burden on customers. The PCIA has now grown to over *three cents per kWh*.² This is noteworthy both in its rapid, volatile ascent in the last two years (rising from \$0.1216 per kWh to \$0.03010 – and increase of *nearly 150 percent*), but also in its contrast to the placid, stable nature of PG&E’s bundled generation rates (actually decreasing by an almost imperceptible amount over the same two year-period (*3.7 percent*)).³ These are staggering increases, especially in light of the fact that PG&E’s PCIA far outpaces that of the other investor-owned utilities (“IOUs”), and provide further support for making the PCIA subject to refund.⁴

Moreover, an increasing PCIA makes it more and more difficult for CCAs to remain competitive. Given PG&E’s proposed PCIA, CCAs will need to provide a generation portfolio, which typically has a significantly greater renewable content than PG&E’s portfolio, at roughly

¹ The two-day review period was further compressed by certain limitations in PG&E’s ability to deliver workpapers. That said, the CCA Parties appreciate PG&E’s efforts to overnight material to parties and otherwise work cooperatively to assist parties’ review of information.

² See November Update at 50 (Table 15-3). All references to rates in these comments are to residential rates and to the 2012 PCIA Vintage, unless otherwise noted.

³ Based on a calculation of the percent difference between the residential class average generation rates as stated in both PG&E’s 2015 ERRRA proceeding (\$0.09894, Table 11-1) and PG&E’s 2017 November Update within the instant ERRRA proceeding (\$0.09353, Table 15-1).

⁴ See *Opening Brief of the City and County of San Francisco* at 2.

six cents per kWh.⁵ Two conclusions arise from these facts. First, the current PCIA methodology contributes to unreasonable levels of rate volatility and should be further examined, at a minimum, by the PCIA working group. Second, as it did previously with respect to direct access (“DA”) viability, the Commission should consider whether the current PCIA methodology impedes state policy with respect to CCA program development and the attendant benefits of greenhouse gas (“GHG”) emission reduction goals.⁶ As CCAs have a limited balance sheet compared with IOUs and are non-profit/quasi-governmental agencies, these volatile and significant charges make it very challenging for Community Choice Aggregators to serve customers and contribute to climate goals. The inability to forecast PCIA years into the future makes it extremely difficult to commit to procuring increasing amounts of renewable energy through long-term contracts while preventing rate shock and investing in customer programs, such as energy efficiency and electric vehicles.

Finally, given PG&E’s recent application to retire the Diablo Canyon Power Plan (“Diablo Canyon”) (A.16-08-006), the Commission should closely examine the impact of single resources on the PCIA. For example, information provided by PG&E in this proceeding indicates that calculating the indifference amount after removing Diablo Canyon from PG&E’s portfolio would cause the PCIA to *decrease* by approximately *33 percent*. This is certainly noteworthy, if not material to any future examination of the PCIA.

⁵ See November Update; Tables 15-1 and 15-3 (using the bundled generation rate of \$0.09353 per kWh for residential customers less the PCIA of \$0.03010 per kWh).

⁶ See Senate Bill (“SB”) 790 (2011) § 2(a) (“It is the policy of the state to provide for the consideration, formation, and implementation of community choice aggregation programs....”). See also D.04-12-046 at 3 (emphasis added) (“The state Legislature has expressed the state’s policy to permit and promote CCAs by enacting AB 117....”).

The Commission should consider these and other key factors as the Commission determines the appropriate level of the PCIA in this proceeding and ultimately examines any necessary PCIA reforms.

II. COMMENTS

A. The November Update Underscores The Problematic Nature Of The Current PCIA Methodology

Rate stability is a key principle of rate design.⁷ The Commission should ensure that this tenet is meaningfully applied in the context of the PCIA. PG&E's November Update reveals that its PCIA has increased by approximately 150 percent in two years and is now proposed to be *over 3 cents per kWh*.⁸ This is remarkable, particularly when considered in light of *additional* non-bypassable charges that CCA customers are subject to.⁹ Particularly troubling is the very significant increase in costs to low-income (EL-1) customers, whose bills are set to rise 26 percent. All told, residential CCA customers are expected to pay approximately 3.5 cents per kWh in generation-related exit fees. These proposed exit fees are even greater than the Commission-approved generation-related exit fees (the DA Cost Responsibility Surcharge ("CRS")) during the "Energy Crisis." The *cap* for those fees was set at 2.7 cents per kWh for.¹⁰

The disparate treatment of DA customers during the Energy Crisis and CCA customers currently is particularly telling because it shows that the Commission has yet to conduct the same

⁷ See, e.g., D.15-07-001 at 27-28.

⁸ See November Update at 50 (Table 15-3).

⁹ See November Update at 50-51 (Tables 15-2 and 15-4), listing rates associated with the Competition Transition Charge and New System Generation Charge, respectively.

¹⁰ See *generally* D.02-11-022 (adopting an interim cap of 2.7 cents per kWh) and D.03-07-030 (affirming the 2.7 cents per kWh cap). In both decisions, substantial discussion and consideration occurred regarding the need to balance bundled customer indifference with the goal of preserving the economic viability of DA.

type of serious assessment of economic impact the Commission previously conducted with respect to the CRS. In the case of the CRS cap, the Commission extensively examined the overall value of the DA program and counterbalanced benefits from the DA program against bundled customer indifference.¹¹ The following excerpt from D.03-07-030 is instructive, and should be considered by the Commission as an approach with respect to CCA customers:

To preserve bundled customer indifference, any DA CRS cap must be high enough to assure bundled customers are fully reimbursed for any funds advanced over time, including interest, to cover the DA CRS undercollections. Counterbalancing this goal, any DA CRS cap should be set low enough so that the cumulative burden of all energy charges faced by DA customers do not render the DA option untenable.¹²

As noted in the Commission's statement, bundled customer indifference is not sacrosanct; it must be harmonized with other state policies. Stated differently, to achieve all of the State's energy goals, including the growth of CCA programs,¹³ the Commission must give meaningful consideration to rate stability, CCA program viability, and the attendant GHG emissions reductions and increased renewable energy content provided by Community Choice Aggregators. The Commission must consider each of these goals as it determines the appropriate treatment of PG&E's PCIA. The CCA parties urge the Commission to give thoughtful consideration to potential impacts of an ever-increasing PCIA and make any PCIA revenue requirement subject to refund.

¹¹ See, e.g., D.03-07-030 at 8-9 ("[I]n order to balance the countervailing goals of bundled customer indifference and preventing harm to DA, we devised an approach in D.02-11-022 whereby the DA obligation is paid off over time, subject to a cap limiting current DA CRS payments."). See generally D.02-03-055, D.02-07-032 and D.02-11-022.

¹² D.03-07-030 at 9.

¹³ See Senate Bill ("SB") 790 (2011) § 2(a) ("It is the policy of the state to provide for the consideration, formation, and implementation of community choice aggregation programs...."). See also D.04-12-046 at 3 (emphasis added) ("The state Legislature has expressed the state's policy to permit and promote CCAs by enacting AB 117....").

B. PG&E's CCA Load Forecast Conclusions Are Questionable

In its November Update, PG&E describes its process for reviewing and updating its CCA load forecasts.¹⁴ Moreover, in its November Update PG&E asks the Commission to adopt PG&E's proposal for formally establishing CCA load forecasts, including PG&E's three-part criteria.¹⁵ While the process proposed by PG&E is helpful, and Community Choice Aggregators worked cooperatively with PG&E in this process, PG&E's criteria should not be adopted by the Commission as the *exclusive* test for establishing CCA load forecasts.

Of particular note, notwithstanding the fact that PG&E considered as "reasonable" the load forecasts provided by Peninsula Clean Energy ("PCE") and Silicon Valley Clean Energy ("SVCE"),¹⁶ PG&E declined to incorporate the forecasts because the forecasts do not meet "PG&E's criteria."¹⁷ The Commission previously directed the IOUs to use information from the California Energy Commission and other sources to estimate "reasonable" levels of expected CCA load.¹⁸ While PG&E's criteria are relevant, it is disconcerting that PG&E is ignoring other sources of information, which PG&E acknowledges as being reasonable.

C. The Commission Should More Actively Consider How Single Resources Impact The PCIA

In this proceeding, PG&E provided a data request response that addresses the impact associated with excluding Diablo Canyon from the indifference amount calculation. The CCA Parties have attached a copy of PG&E's response ("Attachment A"). The data request shows

¹⁴ See November Update at 2-4.

¹⁵ PG&E's Prepared Testimony at pp. 2-12 through 2-14.

¹⁶ See November Update at 3:28-29.

¹⁷ See November Update at 4:1-7.

¹⁸ See D.14-02-040 at 16.

that the PCIA revenue requirement, shown on line 15 of Table 9-4 (2017 Indifference Calculation), would drop from \$1,914 million to \$1,275 million if Diablo Canyon were excluded from the indifference amount calculation.¹⁹ In other words, Diablo Canyon accounts for approximately \$639 million (approximately 33 percent) of PG&E's PCIA revenue requirement. Applying this 33 percent reduction to the PCIA would presumably mean that the PCIA would fall from 3 cents per kWh to approximately 2 cents per kWh if Diablo Canyon were not in the indifference calculation, all things otherwise equal.

III. CONCLUSION

The November Update and additional information provided by PG&E underscore ongoing concerns with the PCIA methodology. The Commission has started efforts to examine PCIA-related issues, particularly issues related to *certainty* of the PCIA.²⁰ The CCA Parties believe that the PCIA working group established pursuant to D.16-09-044 would be aided by further direction from the Commission on PCIA-related issues that warrant additional examination and modification.

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¹⁹ See Table 9-4 in Attachment A as compared to Table 9-4 in Exhibit PG&E-1 (June 1, 2016 Testimony).

²⁰ See, e.g., D.16-09-044 at 23; Finding of Fact 18 ("The departing load community has legitimate interests in improving transparency and certainty for PCIA, but any proposed changes must occur within the appropriate forum.") See also D.16-09-044 at 20 ("We therefore direct the formation of a working group...on the issues of improved transparency and certainty related to PCIA.").

The CCA Parties thank the Commission for its attention to the matters addressed herein.

Respectfully submitted,

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November 4, 2016

Attachment A

PACIFIC GAS AND ELECTRIC COMPANY
Energy Resource Recovery Account 2017 – Forecast
Application 16-06-003
Data Response

PG&E Data Request No.:	MCE_002-Q01		
PG&E File Name:	ERRA-2017-PGE-Forecast_DR_MCE_002-Q01		
Request Date:	July 19, 2016	Requester DR No.:	002
Date Sent:	August 2, 2016	Requesting Party:	Marin Clean Energy
PG&E Witness:	Donna Barry	Requester:	Jeremy Waen, Elizabeth Kelly

SUBJECT: PG&E PREPARED TESTIMONY CHAPTER 9 – GENERATION NON-BYPASSABLE CHARGES & CHAPTER 15 – RATE PROPOSAL

QUESTION 1

Please present a revised Total Portfolio Indifference Calculation (Table 9-4), Market Price Benchmark (Table 9-5), and Power Charge Indifference (Table 15-3) calculations for all vintages of departing load under the following scenarios:

- a. If the Ivanpah solar thermal generation units #1 and #3 were excluded from these calculations.
- b. If the Diablo Canyon Power Plant nuclear generation units #1 and #2 were excluded from these calculations.

ANSWER 1

Question 1.a was withdrawn.

With respect to question 1.b, PG&E's forecast of Diablo Canyon generation is confidential and thus, providing the details regarding the change in these tables with and without Diablo Canyon generation would reveal confidential information.

Alternatively, PG&E can provide revised results for the total portfolio indifference calculation (Table 9-4, Line 15) and the market price benchmark (MPB) calculation (Table 9-5, Line 30) under the scenario described in question 1.b, as shown in the tables below.

2017 ERRA Forecast												
Total Portfolio Indifference												
Table 9-4												
			Vintaged PCIA									
Line No.	Description	2009 Vintage	2010 Vintage	2011 Vintage	2012 Vintage	2013 Vintage	2014 Vintage	2015 Vintage	2016 Vintage	2017 Vintage	Line No.	
15	PCIA RRQ (\$1000) = Indifference - Ongoing CTC (Line 12 - line 13)	\$1,002,097	\$1,187,507	\$1,247,214	\$1,275,045	\$1,280,343	\$1,254,205	\$1,230,540	\$1,229,818	\$1,229,818	15	

TABLE 9-5												
PACIFIC GAS AND ELECTRIC COMPANY												
2017 VINTAGED MARKET PRICE BENCHMARK												
ERRA Application												

Line No.	2017 Forecast Year	Market Price Benchmark									
		2009 Vintage	2010 Vintage	2011 Vintage	2012 Vintage	2013 Vintage	2014 Vintage	2015 Vintage	2016 Vintage	2017 Vintage	
30	2017 MPB with Renewable Premium, by Vintage	\$71.56	\$73.93	\$74.19	\$73.68	\$73.99	\$74.90	\$74.85	\$74.85	\$74.85	